

Slot Machines; Credit Meter; Jackpot-To-Credit-Meter Switch  
Accounting and Internal Controls

Proposed Amendments: N.J.A.C. 19:40-1.2, 1.36, 1.37 and 1.40 and  
19:46-1.26

Authority: N.J.S.A. 5:12-69(a), 69(e), 70(f) and 99(a)12

Calendar Reference: See Summary below for explanation of exception to  
calendar requirement.

Submit written comments by April 6, 2007 to:

E. Dennis Kell, Assistant General Counsel  
Casino Control Commission  
Arcade Building  
Tennessee Avenue and the Boardwalk  
Atlantic City, N. J. 08401

The agency proposal follows:

### **Summary**

Most slot machine jackpots are paid automatically by incrementing the slot machine's credit meter in the amount of the jackpot. However, jackpots of \$1,200 or more are not paid in this manner in order to permit compliance with Internal Revenue Service (IRS) reporting requirements. Historically, such jackpots have been "hand paid" with funds obtained from a slot cashier in a transaction that also requires participation by a slot attendant or slot attendant supervisor and a casino security department employee. The slot attendant or slot attendant supervisor must prepare a Request for Jackpot Payout Slip, and the slot cashier must prepare a Jackpot Payout Slip. Jackpots of less than \$1,200 are also sometimes paid in this manner for reasons unrelated to IRS requirements.

Slot machines have now been developed with the capability of first "locking out" to permit compliance with the IRS reporting requirements, then registering the amount of the jackpot on the credit meter when a key switch ("jackpot-to-credit-meter switch") on the slot machine is turned. When the switch is activated, the credit meter on the slot machine increments in the

same manner as if the jackpot had automatically been registered on the credit meter.

The new procedure eliminates the need to pay the jackpot by hand, although the winning patron retains the option of receiving cash by pushing the “cash out” button on the slot machine.

Proposed amendments to N.J.A.C. 19:40-1.2, 19:45-1.37(h) and 19:46-1.26(e) would define “jackpot-to-credit-meter switch.” Such a switch would be required to be approved by the Commission after testing by the Division of Gaming Enforcement as part of the existing slot machine prototype approval process. See N.J.A.C. 19:46-1.20 and 1.28.

Proposed N.J.A.C. 19:45-1.40(s) would authorize the payment of jackpots of less than \$10,000 on a slot machine with a jackpot-to-credit-meter switch by a slot attendant or slot attendant supervisor turning the jackpot-to-credit-meter switch with a key. The slot attendant or slot attendant supervisor would not be required to prepare a Request for Jackpot Payout Slip, and no participation in the transaction by a slot cashier or casino security department employee would be required. Jackpots of \$10,000 or more would continue to be required to be paid by hand under current procedures. See N.J.A.C. 19:45-1.40(a), (l) and (m).

In order for a casino licensee to utilize a jackpot-to-credit-meter switch, its slot monitoring system must be approved by the Commission, following testing by the Division, as having the capability of: (a) precluding the jackpot-to-credit-meter switch from being activated with respect to a specific jackpot if a Jackpot Payout Slip has already been generated with respect to the jackpot; and (b) precluding a Jackpot Payout Slip from being generated with respect to a specific jackpot if the jackpot has already been registered on the credit meter by activating the jackpot-to-credit-meter switch. This capability is necessary to ensure that the same jackpot is not paid twice.

This notice of proposal is not required to be referenced in a rulemaking calendar since a public comment period of sixty days is being provided. See N.J.A.C. 1:30-3.3(a)5.

**Full text** of the proposal follows (additions in boldface **thus**; deletions indicated in brackets [thus]):

19:40-1.2 Definitions

(a) (No change.)

(b) The following words and terms, when used in these rules, shall have the following meanings, unless the context clearly indicates otherwise:

. . .

**“Jackpot-to-credit-meter switch” is defined in N.J.A.C. 19:45-1.37(h) and 19:46-1.26(e).**

. . .

19:45-1.36 Slot machines and bill changers; coin and slot token containers;  
slot cash storage boxes; entry authorization logs

(a) – (g) (No change.)

(h) [Keys] **Except as otherwise provided in (b), (c) (d) and (g) above, keys** to each slot machine, or any device connected thereto which may affect the operation of the slot machine, [with the exception of the keys to the compartments housing the slot drop bucket and to the locks securing the areas where the slot cash storage box and slot drop box are located], **including without limitation keys that activate a jackpot-to-credit-meter switch,** shall be maintained in a secure place and controlled by the slot department.

(i) – (j) (No change.)

19:45-1.37 Slot machines and bill changers; electronically  
erasable/programmable storage media; identifications; signs; and  
meters

(a) Unless otherwise authorized by the Commission, each slot machine in a casino shall have the following identifying features:

1. -. 4. (No change.)

5. A mechanical, electrical or electronic device that automatically precludes a player from operating the slot machine after a jackpot [requiring a manual payout] **that is not totally and automatically paid directly by the slot machine** and requires an attendant to reactivate the slot machine;

6. – 8. (No change.)

(b) - (g) (No change.)

**(h) If a casino licensee elects to conduct jackpot payouts that are not totally and automatically paid by the slot machine by registering them on the credit meter of the slot machine in accordance with the procedure set forth in N.J.A.C. 19:45-1.40(s), the slot machine shall contain a device (“jackpot-to-credit-meter switch”) that:**

**1. When activated by a key, increments the credit meter in the exact amount of the jackpot and does not increment the manual jackpot meter; and**

**2. Is subject to internal controls, as approved by the Commission, to provide:**

**i. Advance notice to the Commission and Division whenever a casino licensee intends to take any action that will affect the operation of such a device; and**

**ii. An audit trail that provides the following information each time an action is taken that affects the operation of such a device:**

**(1) The name and license number of the employee who performed the action;**

**(2) The date and time the action was taken;**

**(3) The asset number of the slot machine on which the device is installed; and**

**(4) A description of the action that was taken.**

Recodify existing [(h) – (k)] as **(i) – (l)** (No change in text.)

19:45-1.40 Jackpot payouts that are not paid directly from the slot machine

(a) – (r) (No change.)

**(s) Notwithstanding any other provision in this section to the contrary, a casino licensee may pay a jackpot of less than \$10,000 that is not totally and automatically paid by the slot machine by causing the exact amount of the jackpot to be registered on the credit meter of the slot machine, provided that:**

**1. The slot machine is equipped with a jackpot-to-credit-meter switch as set forth in N.J.A.C. 19:45-1.37(h) and 19:46-1.26(e);**

**2. A slot attendant or slot attendant supervisor causes the exact amount of the jackpot to be registered on the credit meter of the slot machine by activating the jackpot-to-credit-meter switch on the slot machine with a key prior to resetting the slot machine or progressive meter; and**

**3. The casino licensee has a slot monitoring system that has been approved by the Commission, following testing by the Division, as having the capability of:**

**i. Precluding the jackpot-to-credit-meter switch from being activated with respect to a specific jackpot if a Jackpot Payout Slip has already been generated with respect to the jackpot;**

**ii. Precluding a Jackpot Payout Slip from being generated with respect to a specific jackpot if the jackpot has already been registered on the credit meter by activating the jackpot-to-credit-meter switch; and**

**iii. Differentiating jackpots that are paid by a cashier, slot attendant or slot attendant supervisor pursuant to (l) or (m) above from jackpots that are paid by activating a jackpot-to-credit-meter switch.**

19:46-1.26 Slot machines and bill changers; identification; signs; meters;  
other devices

(a) - (d) (No change.)

**(e) If a casino licensee elects to conduct jackpot payouts that are not totally and automatically paid by the slot machine by registering**

**them on the credit meter of the slot machine in accordance with the procedure set forth in N.J.A.C. 19:45-1.40(s), the slot machine shall contain a device (“jackpot-to-credit-meter switch”) that:**

**1. When activated by a key, increments the credit meter in the exact amount of the jackpot and does not increment the manual jackpot meter; and**

**2. Is subject to internal controls, as approved by the Commission, to provide:**

**i. Advance notice to the Commission and Division whenever a casino licensee intends to take any action that will affect the operation of such a device; and**

**ii. An audit trail that provides the following information each time an action is taken that affects the operation of such a device:**

**(1) The name and license number of the employee who performed the action;**

**(2) The date and time the action was taken;**

**(3) The asset number of the slot machine on which the device is installed; and**

**(4) A description of the action that was taken.**

**[(e)] (f)** (No change in text.)